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City and County of San Francisco

OFFICE OF THE CONTROLLER

HUMAN RIGHTS COMMISSION:

Compliance Audit of the Department of Public Works
Contract with Treadwell & Rollo, Inc./Olivia Chen
Consultants, JV



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Edward Harrington
ControllerMatthew H. Hymel
Chief Assistant Controller

December 22, 2000

Audit Number: 00012

Edwin Lee, Director
Department of Public Works
City Hall, Room 348
San Francisco, CA 94102

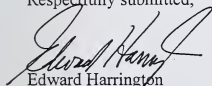
Dear Mr. Lee:

The Controller's Audits Division presents its audit report concerning the as-needed geotechnical engineering services contract between the Department of Public Works (Public Works) of the City and County of San Francisco and the joint venture of Treadwell & Rollo, Inc./Olivia Chen Consultants, JV (joint venture). The San Francisco Administrative Code requires the director of the Human Rights Commission, in cooperation with the Office of the Controller (Controller), to audit 10 percent of the joint ventures granted bid discounts each fiscal year to ensure they properly meet their commitments to fully use minority, women, or local business enterprises as a joint venture partner. We conducted this audit to verify whether the joint venture met the participation commitment for the minority/women/local business enterprise partner.

Although the term of the contract has not yet ended as of July 31, 2000, Olivia Chen Consultants, Inc. (Chen Consultants), the minority/women/local business enterprise that is a partner in the joint venture, has met the 40 percent participation level to which the joint venture committed. Through July 31, 2000, Chen Consultants billed the joint venture for 41 percent of the maximum contract amount of \$300,000 for the work it performed.

Public Work's response is attached to this report. The Controller's Audits Division will be working with the department to follow up on the status of the recommendation made in the report.

Respectfully submitted,


Edward Harrington
Controller



RESULTS IN BRIEF

As of July 31, 2000, the contract for as-needed geotechnical engineering services between the joint venture of Treadwell & Rollo, Inc./Olivia Chen Consultants, JV (joint venture) and the Department of Public Works (Public Works) has not yet ended. The contract termination date was December 1, 2000. Nonetheless, the joint venture has already met the 40 percent participation level for Olivia Chen Consultants, Inc., (Chen Consultants), the minority/women/local business enterprise partner in the joint venture, to which the joint venture committed under the contract. Section 12D of the San Francisco Administrative Code requires departments of the City and County of San Francisco (City) to make good-faith efforts to contract with minority, women, and local business enterprise contractors. Through July 31, 2000, Chen Consultants billed the joint venture for 41 percent (\$123,557) of the maximum contract amount of \$300,000 for the work it performed. During our audit, we also found sufficient evidence to show that Chen Consultants performed the work for which it billed the joint venture. Finally, our review showed that Public Works did not consistently enter complete and accurate information regarding this contract into the Citywide Diversity Tracking System. Without Public Works entering accurate and complete information into the Citywide Diversity Tracking System, the director of the Human Rights Commission is unable to provide the Mayor and the Board of Supervisors with accurate information on minority, women, or local business enterprise participation in City contracts.



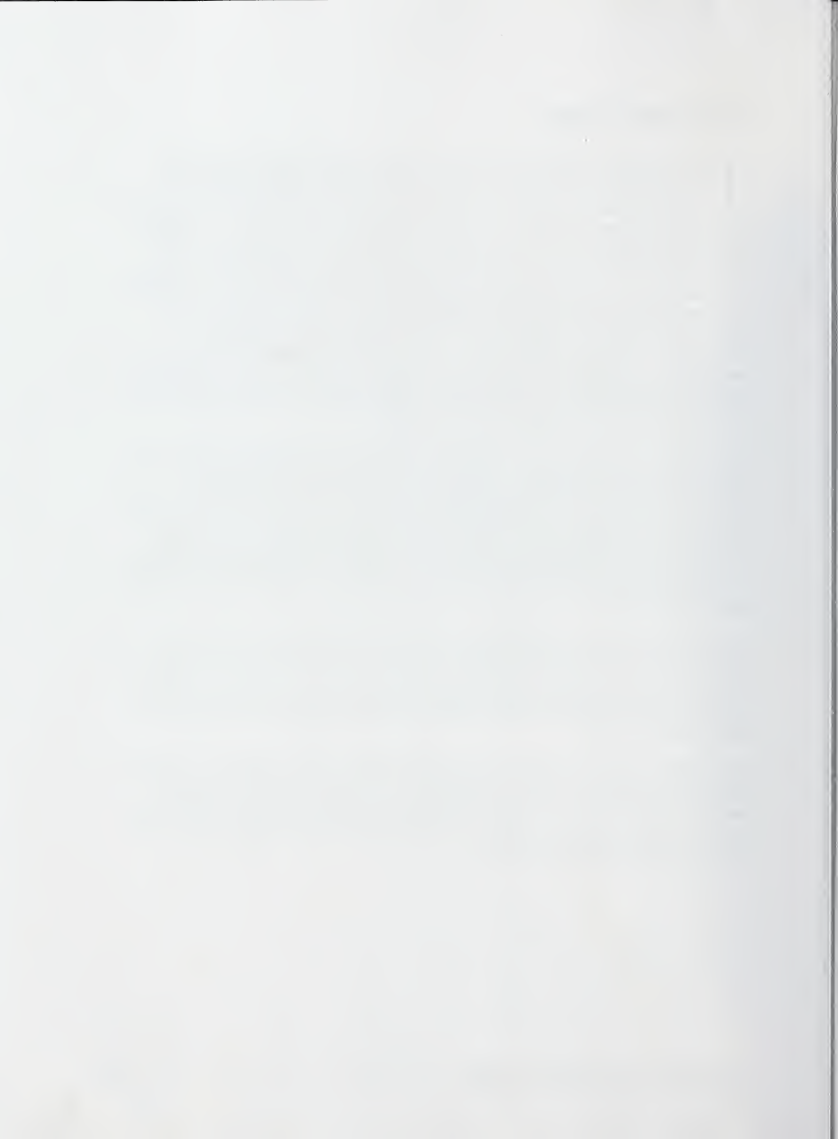
INTRODUCTION

The Department of Public Works (Public Works) of the City and County of San Francisco (City) awarded a contract to the joint venture of Treadwell & Rollo, Inc./Olivia Chen Consultants, JV (joint venture) on December 3, 1997 for as-needed geotechnical engineering services. The joint venture received a 7.5 percent bid preference based on the participation in the joint venture by Olivia Chen Consultants, Inc., (Chen Consultants), a certified minority/women/local business enterprise (MWLBE). According to the San Francisco Administrative Code (Administrative Code), Section 12D, a MWLBE is an economically disadvantaged local business owned and controlled by one or more minority persons or by one or more women and certified by the Human Rights Commission. The joint venture committed to Chen Consultants achieving a 40 percent participation level in the contract. The contract award amount was not to exceed \$300,000. The contract termination date was December 1, 2000. Public Works issued a service order to the joint venture to initiate a job under the contract.

The Administrative Code, Section 12D, is known as the Minority/Women/Local Business Utilization Ordinance (ordinance). The ordinance is intended to correct identified discriminatory practices found in the City's procurement processes and in the awarding of contracts to minority, women, and local business enterprise contractors. The ordinance establishes bid preferences for joint ventures with a minority, women, or local business enterprise as a joint venture partner. The ordinance requires the City's contract-awarding authorities to make good-faith efforts to contract with minority, women, and local business enterprise contractors.

The director of the Human Rights Commission is to keep a database to report on the progress each City department has made towards the achievement of the participation goals for minority and women business enterprises. City departments are required to maintain correct, complete information in this database, the Citywide Diversity Tracking System, regarding their contracts.

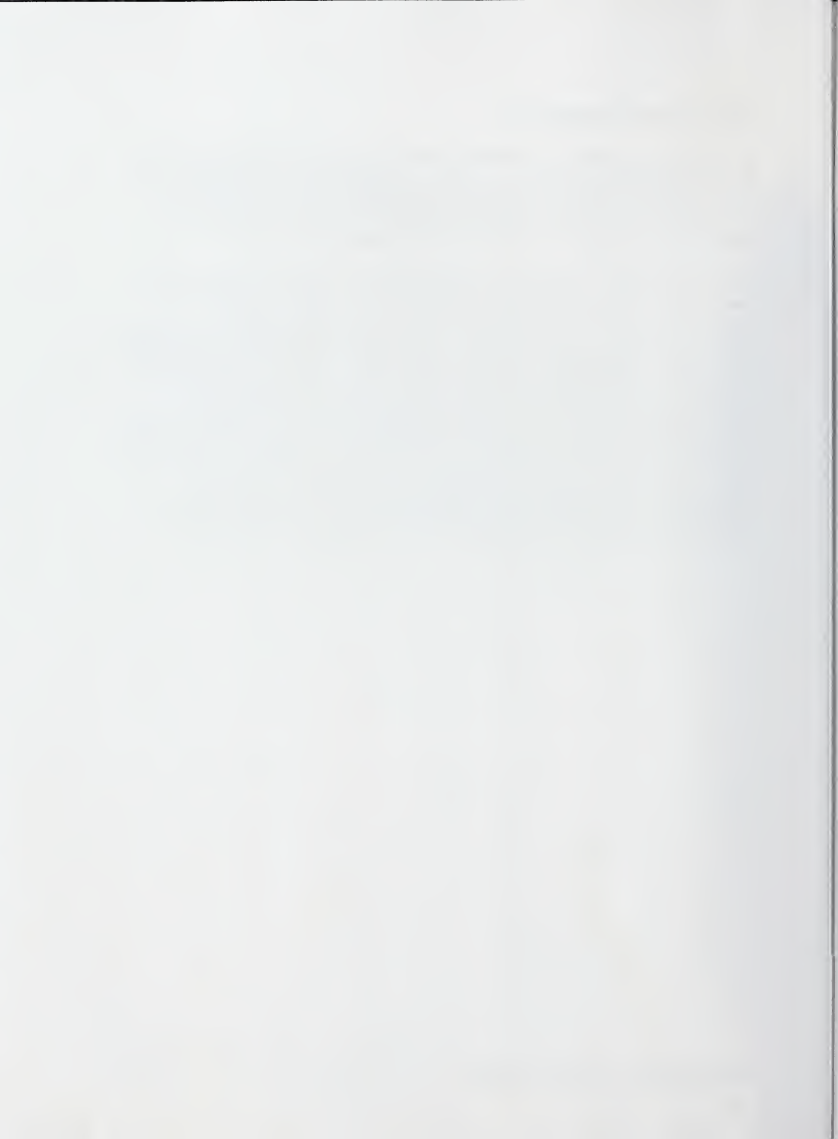
The ordinance also requires the director of the Human Rights Commission, in cooperation with the Office of the Controller (Controller), to audit 10 percent of the joint ventures granted bid discounts each fiscal year to ensure they properly meet their commitments to fully use minority, women, or local business enterprises as a joint venture partner. The director selected this contract for audit.



SCOPE AND METHODOLOGY

The purpose of the audit was to determine if Chen Consultants, the MWLBE joint venture partner, participated in the contract according to participation levels committed to by the joint venture and if Chen Consultants actually performed the work. We also assessed whether key information in the Citywide Diversity Tracking System is correct and complete. The audit period was December 3, 1997, through July 31, 2000.

To conduct the audit, we reviewed the operating procedures of the joint venture and the contract participation levels of Chen Consultants. We also verified whether Chen Consultants was certified as a MWLBE by the Human Rights Commission when Public Works awarded the contract. To determine whether Chen Consultants properly participated in the contract and achieved the participation goals that the joint venture committed to in the contract, we reviewed the joint venture's records and Chen Consultants' records. In particular, we determined whether the joint venture provided Chen Consultants an appropriate share of the work. To determine whether Chen Consultants actually performed the work, we reviewed the joint venture's records and Chen Consultants' records, including payroll records, invoices, and work products. We also conducted interviews with Public Works' managers and senior staff of both joint venture partners. To evaluate the information in the Citywide Diversity Tracking System, we reviewed key information entered into the system by Public Works, and we investigated any discrepancies.



AUDIT RESULTS

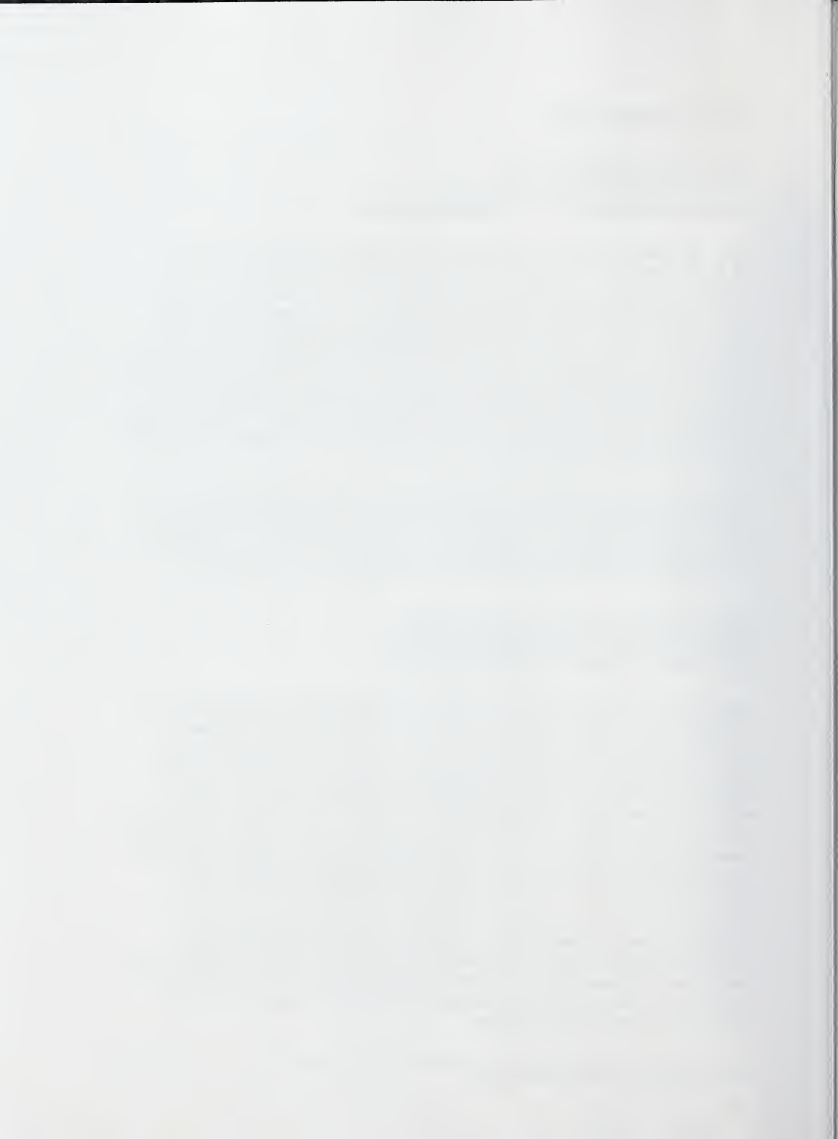
THE JOINT VENTURE MET ITS MINORITY/WOMEN/LOCAL BUSINESS ENTERPRISE PARTICIPATION REQUIREMENT

Although the term of the contract had not yet ended as of July 31, 2000, Chen Consultants has attained the 40 percent participation level for the minority/women/local business enterprise (MWLBE) partner to which the joint venture committed under the contract. Of the maximum contract amount of \$300,000, Chen Consultants was to achieve 40 percent (\$120,000) participation in the contract. Through July 31, 2000, the joint venture had invoices from its partners totaling \$248,858 for work performed, including invoices from Chen Consultants totaling \$123,557. Thus, as of July 31, 2000, Chen Consultants had exceeded the 40 percent participation level as it had invoiced 41 percent (\$123,557) of the \$300,000 maximum contract amount. As of July 31, 2000, the City had paid the joint venture a total of \$202,354, with the remaining unpaid invoices still in process with the City.

We also found sufficient evidence to show that Chen Consultants, the MWLBE partner, performed the work for which it billed the joint venture. Of the 17 contract service orders that Public Works initiated, we sampled 2 service orders and verified that the engineers who signed the engineering reports were paid as employees of Chen Consultants.

PUBLIC WORKS DID NOT CONSISTENTLY ENTER ACCURATE INFORMATION TO THE CITYWIDE DIVERSITY TRACKING SYSTEM

Although Public Works correctly entered some information into the Citywide Diversity Tracking System, we found it did not consistently enter into the system complete and accurate information. We found that Public Works did not enter information into the system for which it had the data, including the goal percentage for minority or women business enterprise subcontractors, the original contract award amount, the contract approval date, and the unsuccessful bidders. Further, Public Works incorrectly entered into the system that the project classification was a professional services project, and that the participation type was a prime contractor. Public Works should have identified the project as an engineering project and as a joint venture. The Administrative Code, Section 12D.A.6.(A)7, requires the Human Rights Commission to issue an annual report to the Mayor and the Board of Supervisors on each City department's progress in meeting minority and women business enterprise participation goals. Without Public Works entering accurate and complete information into the Citywide Diversity Tracking System, the director of the Human Rights Commission is unable to provide the Mayor and the Board of Supervisors with accurate information on minority, women, or local business enterprise participation in City contracts.



Corrective Action

The Public Works manager of contract administration informed us that as of September 2000 the department is in the process of hiring an employee to enter information into the Citywide Diversity Tracking System to improve the completeness and accuracy of information in the system.

RECOMMENDATION

To comply fully with the Minority/Women/Local Business Utilization Ordinance in the San Francisco Administrative Code, we recommend that for each contract the Department of Public Works enters in the Citywide Diversity Tracking System, it enters complete and accurate information.

We conducted this review according to generally accepted government auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Staff: Ben Carlick, Audit Manager
Richard Hendry



RESPONSE TO THE AUDIT
DEPARTMENT OF PUBLIC WORKS





Willie Lewis Brown, Jr., Mayor
Mark A. Primeau, Architect, AIA, Director



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Department of Public Works
Deputy Director for
Financial Management and Administration
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1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4645
Robert J. Carlson, Deputy Director

December 19, 2000

Ben Carlick
Audit Manager
1 Dr. Carlton B. Goodlett Place
Room 388
San Francisco, CA 94102

Subject: Response to Audit Report Number: 00012

Thank you for giving us the opportunity to respond to your audit report number 00012 concerning our joint venture contractor Treadwell & Rollo, Inc./Olivia Chen Consultants. In general, we agree with the findings and recommendations but have several comments with respect to the section "Public Works did not consistently enter accurate information to the citywide diversity tracking system" on page four of the report.

With respect to the Citywide Diversity Tracking System (CDTS) the audit report notes that DPW did not enter complete information with respect to:

1. Original Contract Award Amount
2. Contract Approval Date
3. Goal Percentage for Minority or Women Business Enterprise Subcontractors
4. Unsuccessful Bidders;

and that DPW entered incorrect data with respect to:

1. Contract Classification
2. Contract Participation Type

Based on the CDTS record that was reviewed by the auditors we agree with the above finding. However, in our review, and working with staff from the Department of Telecommunication and Information Services (DTIS), we discovered that two records for this joint venture contractor existed in the CDTS and one record, separate from the record looked at by the auditors, did contain the Original Contract Award Amount (\$300,000) and the Contract Approval Date (6/30/1998). Attachment "A" includes CDTS screen printouts as of November 17, 2000 that show this information. Attachment "B" includes CDTS screen printouts as of February 2, 2000 that also show the same information, Contract Award Amount and Contract Approval Date, existed in the system. We point to both of sets of screen printouts since one occurs before the record looked at by the auditors (6/12/2000) and one after. DTIS recognizes the duplicate records and is now

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customer service and continuous improvement in partnership with the community.*

Customer Service

Teamwork

Continuous Improvement

* We did not include the attachments in this report. Please contact the Department of Public Works to obtain a copy.



reviewing the system to correct the issue. This condition of duplicate records may have contributed to the difficulty of ensuring complete and accurate records.

Also it should be noted that on Attachment "A" the status of Edit Contract, Vendors, Awards, and Payments is noted as "Complete". Attachment "C" is the CDTS User's Guide and as stated in the guide, "Complete" is an indication that the data entry is complete, not that the contracted services are finished. During our February 2000 review for completeness and accuracy we may have assumed (incorrectly) that the data was complete.


Since the inception of CDTS in early 1999 DPW has requested report generation capability that would improve the ability to review system input data for completeness and accuracy. The only report generated for that purpose was the database extract in February 2000 (noted above) that appears to have contained the duplicate records. Other than that report, data could only be viewed separately in each data entry screen during the data entry process and it was very difficult to see if there were any problems with the contract record. However, just last month, a report function was made available to CDTS users that we believe will enhance our ability to provide complete and accurate data.

We have one additional note regarding CDTS security. At times we have noticed changes to data fields in the CDTS but the system security does not track who made the changes. This can make it very difficult to ensure accuracy without an input audit trail.

DPW points out the above issues to give the reader of the audit report a sense of some of the difficulties we have experienced in trying to implement the CDTS and maintain its accuracy. Our department, however, remains committed to providing accurate and complete information for the CDTS and will continue our ongoing efforts to cooperate with the HRC and DTIS in providing information as expeditiously and accurately as possible. We have already corrected the information as pointed out in the audit report. We will use the new reporting capabilities to improve past and future data inputs for accuracy and completeness. The department would also welcome additional training on the use of CDTS to ensure data is input into the system in a consistent way citywide.

If you have any questions and need additional information please contact Robert Carlson at 554-4831.

Sincerely yours,



Robert Carlson

Deputy Director for Financial Management and Administration

* See notes on page 7.



cc: Mayor
Board of Supervisors
Civil Grand Jury
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Human Rights Commission
KPMG LLP





